

## Message Text

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ORIGIN AF-08

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07  
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06  
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01  
PRS-01 IGA-02 OPIC-03 /103 R

DRAFTED BY AF/W:TWMSMITH:BA  
APPROVED BY AF/W:TWMSMITH  
EB/IFD:TBRODERICK

-----081110Z 117311 /13

R 071907Z APR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MONROVIA

C O N F I D E N T I A L STATE 077863

E.O. 11652: GDS

TAGS: EINV, ENRG, LI

SUBJECT: LIBERIA REFINING (LRC)

REF: MONROVIA 2098

1. HARRY W. NAGEL, MANAGER OF BUSINESS ANALYSIS AND  
TECHNICAL LIAISON FOR SUN TRADING AND MARINE TRANSPORT,  
INC., TELEPHONED AF/W APRIL 7 TO SAY THAT SITUATION RE-  
GARDING LRC RAPIDLY APPROACHING SHOWDOWN. IN RESPONSE  
TO TELEX INQUIRY FROM GOVERNMENT OF LIBERIA (GOL), SUN  
HAS REPLIED THAT IT WOULD ACCEPT DOLS 9 MILLION FOR ITS  
SHARE OF LRC. THIS OFFER REMAINS VALID UNTIL APRIL 30.  
CLOSING WOULD TAKE PLACE FIRST 10 DAYS OF MAY. NAGEL SAYS  
IT IS VIRTUALLY CERTAIN GOL WILL NOT ACCEPT THIS OFFER,  
IN PART BECAUSE GOL KNOWS REFINERY IS BANKRUPT. IF GOL  
REJECTS SUN'S OFFER, SUN WILL CLAIM EXPROPRIATION IN ORDER  
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TO SAFEGUARD ITS TAX LOSS AND PREVENT "RECAPTURE" BY US  
TAX AUTHORITIES OUT OF SUN INCOME FROM ELSEWHERE.

2. SUN'S IMMEDIATE CONCERN IS FOR PHYSICAL SAFETY AND  
WELL-BEING OF TWO ENGINEERS, MARTIN HAIBACH AND FRANK  
WELC, WHO LEAVE FOR MONROVIA APRIL 11 TO SUPERVISE  
INSTALLATION OF MACHINERY TO REPLACE THAT DESTROYED IN

FIRE ON CHRISTMAS DAY 1976. SUN ALSO CONCERNED ABOUT LRC

MANAGER EPPARD AND HIS WIFE. NAGEL ASKED WHETHER, IF NECESSARY, THEY COULD USE OUR COMMUNICATIONS TO PASS MESSAGE TO EPPARD AND THE ENGINEERS IF SUN'S RELATIONS WITH GOL BECAME SEVERELY STRAINED. WE AGREED, AND SUGGESTED THE ENGINEERS REGISTER WITH THE EMBASSY ON ARRIVAL.

3. IN SUBSEQUENT DISCUSSION OF LRC SITUATION, NAGEL MADE FOLLOWING POINTS:

A) SUN PARENT COMPANY HAS GIVEN SUN TRADING UNTIL JULY 1 TO RESOLVE LRC QUESTION.

B) DYNALECTRON, WHICH WITH SUN OWNS PART OF THE REFINERY, IS "UNHAPPY" BECAUSE THEIR AUDITORS (ARTHUR ANDERSEN AND CO.) "QUALIFIED" DYNALECTRON'S ANNUAL STATEMENT BECAUSE OF UNCERTAINTIES REGARDING LRC. NAGEL SAID MONROVIA OFFICE OF COOPERS AND LYBRAND, SUN'S AUDITORS, HAD BEEN PREPARED TO GIVE LRC "CLEAN STATEMENT" UNTIL INSTRUCTED TO REEXAMINE SITUATION BY HEAD OFFICE. STATEMENT IS STILL INCOMPLETE.

C) BANK OF LIBERIA, WHICH IS 49 PERCENT OWNED BY CHEMICAL BANK AND 51 PERCENT BY LIBERIAN INTERESTS, IS HAVING DIFFICULTIES WITH GOL WHICH ALLEGEDLY HAS REFUSED TO MAKE GOOD ON ORAL GUARANTEES FOR THREE LETTERS OF CREDIT UNTIL LRC DEDICATES ENTIRE OUTPUT TO MEETING THESE DEBTS. CONFIDENTIAL

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LRC, NOT BEING OWNED BY EITHER GOL OR BANK OF LIBERIA, IS NOT PREPARED TO DO THIS.

D) SUN UNDERSTANDS GOL HAS GIVEN MANAGEMENT CONTRACT FOR LRC TO BP AND THAT BP WISHES MOVE IN STAFF BY MAY 1 WHICH, SAID NAGEL, "IS NOT POSSIBLE BECAUSE LIBERIAN GOVERNMENT DOES NOT OWN LRC...YET".

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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